

February 1, 1999

ORDER

MONHEGAN PLANTATION POWER DISTRICT:
Application for Approval of Issue of Securities
and Pledge of Assets (§§ 902 and 1101)

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

I. SUMMARY OF ORDER

On January 14, 1999, Monhegan Plantation Power District (the District) filed with the Commission its application for authority to issue its bond in a sum not to exceed \$325,000 through The First National Bank of Damariscotta, at a rate not to exceed the Wall Street Prime minus 3% and to secure a \$25,000 Line of Credit, for working capital, at Wall Street Prime minus 3%, rates to be reset every five years, to purchase generators, building and equipment to set up an electric generating plant. The debt will be paid over a term not to exceed 20 years. We grant the District authority to issue its bond, secure a line of credit and pledge its assets.

II. BACKGROUND

The District is installing a new electrical power generating and distribution system. It proposes a 3-phase implementation process over the next two years. The first phase, which has been completed, is an interim phase while the engineering studies and regulatory issues are resolved. The second phase is the replacement of the current generating system with three new generators in parallel: a 65 kW, a 120 kW, and a 160 kW generator. The \$325,000 loan plus the \$25,000 line of credit will be used in Phase Two for the purchase of the generators, setup, and coverage of soft costs such as engineering design. The third phase will be the replacement of the power distribution grid.

All three phases are cash intensive as new assets are purchased and the power distribution grid is updated for reliability and security. The District has already acquired over \$170,000 in grants and donations to apply to the first two phases of development and has just been awarded a \$400,000 grant (in January 1999) for the development of Phase Three, the complete replacement of the power distribution grid.

We have reviewed and analyzed the District's loan application and impose the following requirement concerning resetting the bond's interest rate at 5-year intervals (three times during the term of the bond at five years, 10 years, and 15 years). The District must determine at each interval until the bond is either repaid or

refinanced, whether it can obtain funds at rates lower than the Wall Street Prime minus 3%. If the District can subsequently lower its financing costs to ratepayers by refinancing its loan (including incremental refinancing costs) then it must refinance unless it can satisfy the Commission that good cause exists not to. There are no prepayment penalties if the District chooses to repay its loan early.

Therefore, having reviewed the application of the District, and the data filed in support of it, the Commission finds that the proceeds of the issuance of the bond are required for the purposes enumerated in 35-A M.R.S.A. §901. In approving this securities issue, consistent with normal practice and pursuant to section 902(4), the Commission is not approving the District's capital needs for ratemaking purposes; this Order does not limit or restrict the powers of the Commission in determining or fixing any rate.

Accordingly, we

O R D E R

1. That the Monhegan Plantation Power District is hereby authorized to issue its bond in a sum not to exceed \$325,000 to be used solely for the purposes described in this Order, and at a rate not to exceed the Wall Street Prime minus 3% per year through the First National Bank of Damariscotta for a term not to exceed 20 years.

2. That the Monhegan Plantation Power District is hereby authorized to secure a \$25,000 line of credit for working capital purposes, at a rate not to exceed the Wall Street Prime minus 3% per year through the First National Bank of Damariscotta for a term not to exceed 20 years.

3. That at 5-year intervals, when rates are reset or until the loan is refinanced, Monhegan Plantation Power District must choose the least-cost method of financing (including incremental financing costs if it must refinance) unless it demonstrates that good cause exists not to.

4. That the Monhegan Plantation Power District report to the Director of Finance, in writing its doings pursuant to this Order within sixty (60) days of the date of the issue of the proposed bond, or by April 15, 1999, whichever may come first.

5. That a copy of this Order be mailed to the service list and this Docket be closed.

Dated at Augusta, Maine, this 1st day of February 1999.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: WELCH
NUGENT
DIAMOND

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 30 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Civil Procedure, Rule 73, et seq.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.